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UNCLAS KUWAIT 001779

SIPDIS

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [IZ](#) [KU](#)

SUBJECT: TRADING WITH IRAQ

REF: A. STATE 104141

[1](#)B. KUWAIT 1213

[1](#)C. KUWAIT 1578

[1](#)D. KUWAIT 1617

[1](#)E. KUWAIT 1683

[1](#)1. Post responses are provided to questions posed in reftel.

Q: WE UNDERSTAND THAT IRAQ HAS COMPLETED FREE TRADE AGREEMENTS WITH A NUMBER OF OTHER COUNTRIES. IF HOST GOVERNMENT HAS AN FTA WITH IRAQ, WHAT IS THE EXTENT OF THE AGREEMENT? I.E. DOES IT SIMPLY COVER GOODS, OR DOES IT COVER OTHER AREAS AS WELL? WHAT IS THE STATUS OF THIS AGREEMENT? WITH CHANGE IN IRAQ'S REGIME, IS IT STILL VALID? WHERE DOES IMPLEMENTATION STAND ON THESE AGREEMENTS AND THE PAN ARAB FREE TRADE AGREEMENT?

A: Post contacts confirm that Kuwait does not currently have an FTA with Iraq.

Q: WHAT DO YOUR HOST GOVERNMENT AND LOCAL BUSINESS PEOPLE THINK OF THE PROSPECTS OF TRADE WITH IRAQ? WAS THERE A TRADITIONAL LINK THAT WILL BE RE-ESTABLISHED? DO THEY EXPECT IT TO POSITIVELY OR NEGATIVELY AFFECT DOMESTIC MARKETS? DO THEY STILL HAVE BUSINESS CONTACTS IN IRAQ?

[1](#)A. Post has reported extensively on Kuwait's views on doing business with a post-Saddam Iraq (see reftels). In short, Kuwait has extensive historical, trade, and family ties with Iraq that it hopes to quickly reestablish and exploit. In the short run Kuwaitis hope to profit generously from reestablished trade with Iraq, but realize that without significant domestic economic reform the country stands to be left behind as the Iraqi economy becomes a magnet for investment. Kuwait has not traded with Iraq since the 1990 invasion, but is working to reestablish pre-invasion business ties.

[1](#)Q. WHAT CAN HOST COUNTRY CONTACTS TELL US ABOUT THE CUSTOMS REGIME UNDER SADDAM, PRE AND POST SANCTIONS? WAS THERE AN IMPORT TARIFF REGIME? WERE THERE OTHER FEES OR ASSESSMENTS? WAS THERE A FUNCTIONING CUSTOMS REGIME, ELEMENTS OF WHICH COULD BE RETAINED UNDER A NEW IRAQI REGIME (OR INTERIM AUTHORITY).

[1](#)A. Post is working with Kuwait Customs on these questions, to be reported setpel.

[1](#)Q. UNDERSTANDING THAT ANY TRADE OUTSIDE OF THE FOOD FOR OIL PROGRAM WAS NOT LEGAL AND THEREFORE MAY NOT HAVE BEEN CLOSELY MONITORED BY OFFICIAL SOURCES. TO THE EXTENT POSSIBLE, WE ARE INTERESTED IN KNOWING TRADE STATISTICS FROM 1999-2001. EVEN ESTIMATES WOULD BE HELPFUL.

[1](#)A. Kuwait has not traded with Iraq since the 1990 invasion.

[1](#)Q. WHAT KINDS OF ASSISTANCE DO YOU FORESEE BEING REQUIRED BY IRAQ TO ENABLE TRADE TO COMMENCE ONCE SANCTIONS ARE LIFTED? WHAT TYPES OF SHORT, MEDIUM TERM TRADE-RELATED ASSISTANCE DO YOU THINK IRAQI AUTHORITIES REQUIRE?

[1](#)A. Please see refs B and D. It is worth noting that at a recent Kuwait Economic Society meeting on Iraqi reconstruction, the chairman of the Finance and Economic Committee of the National Assembly called on the GOK to create a company to guarantee Kuwaiti investment in Iraq.
JONES